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**RJR****Inter Office Memo**

TO: Bob Fiori  
Jack Geeting  
Dave Gesmundo  
Dave Owens  
Jim Piscitelli  
Rick Young

FROM: Don Knoll

CC: Jim Maguire  
Jim Best  
Pat Cundari  
Rick Sanders  
Dave Wilmesher

SUBJECT: Elimination of Coupons

DATE: December 30, 1996

I had a conversation with Jim Maguire yesterday and he asked me to pass on to each of you the process my local account managers and I have used to eliminate the use of coupons in 1997.


- First, we review our gap and ceiling strategy and how it is designed to maintain Full Price business. This sets the hook and gets them committed to the process.
- Second, we talk about the need to have adequate stock in the stores to address our goal of one week's volume per month on Full Price and approximately two weeks a month on Savings.
- Third, we talk about the time it takes our Retail Rep to sticker the product at store level.
- Fourth, we discuss the cost of the 11¢ coupon handling charge and how we can save this money if we can find another method other than coupons. We let them know that this savings will likely add up to more money for promotions like the increase in the base accrual for 1997.

Now that they are informed, and in all cases to-date with my accounts committed to the need for gap defense, ceiling strategy and flighted offensive promotions, we explain that we will not

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have coupons available in 1997. However, we will have non-coupon coupons and VPR's available to be used to address the above issues.

At this time we offer them three choices :

- VPR's used at store level and paid at store level.
- Non-coupon coupons, placed by Retail Reps, which are used just like coupons, however, instead of the chain submitting them to coupon redemption, they give us an invoice for the amount and we pay them. As a way to ensure their request is right, we will compare their dollar amount to the activity summary for the same period.
- Discount on Demand, where we, with the help of their direct account, determine one weeks Full Price and two weeks Savings by store and then have product pre-stickered by the jobber and sent to the store once a month. In this case, we know what is sent to the store and we pay off of that amount.  In my mind, this is the best process, because it takes our Retail Reps out of the loop and lets them concentrate on the other two P's and also gets extra product to the stores.

So far, all chains we have a contract with, that have a need for gap defense and ceiling strategy have opted for one of these solutions as I have listed below:

Clark Refining and Marketing

- They are going to participate in Discount on Demand the first two months each quarter and a matching competitive or offensive promotional offer the last month of each quarter.

Total Petroleum

- They are going to participate in Discount on Demand the first two months each quarter and a matching competitive or offensive promotional offer the last month of each quarter.

Casey's General Store

- Since everything is controlled by headquarters, we will use buydowns, however, as Retail Reps make their coverage, if there is a need for gap or ceiling strategy, they are authorized to place VPR's at store level and pay for them at store level.

Circle K

- Retail Reps will place non-coupon coupons at store level and we will reimburse stores at chain headquarters twice a month based on usage.

I hope you find this information helpful, and have a Happy Holiday.



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